

## 6 Views of publishers of specialist magazines intended for campers, climbers and walkers

6.1. In this chapter we summarise the views of publishers of the specialist magazines intended for campers, climbers and walkers. We have described in Chapter 1 the OFT investigation and report on the question whether Holmes McDougall had been or was pursuing a course of conduct which might amount to an anti-competitive practice. We do not repeat here the company's earlier views, except for the purpose of comparison with the evidence given to us by Holmes McDougall on this question and on the effect of its course of conduct on the public interest. The earlier views of other publishers of specialist magazines are given in this chapter, followed by the views given for our own inquiry. *Country Walking* was first published after the OFT report was completed, and as we have explained (paragraph 3.3) we regard a larger range of titles as coming within the definition of specialist magazines intended for campers, climbers and walkers than the OFT did. These reasons explain why our report contains the evidence of EMAP Pursuit Publishing (*Country Walking*), Link House Magazines (*Camping & Walking*) and the Youth Hostel Association (*The YHA Magazine*).

### **Holmes McDougall**

6.2. Holmes McDougall told us that as a publisher of specialist magazines, its knowledge of the market for specialised goods and services was limited and indirect. This made it difficult for Holmes McDougall to analyse the effects of the reference policy. On this basis Holmes McDougall had submitted to the OFT that the adoption of the reference policy by its magazines had had no significant effect on competition. The company told us that its primary concern during the OFT inquiry was to ensure that any remedial action was industry-wide and not solely directed at Holmes McDougall. For the purposes of our own inquiry it did not wish to address the question whether the reference policy was anti-competitive. The company also told us that it did not wish to make any submissions to us on the question whether the reference policy may operate against the public interest as it regarded this as a matter for those directly involved in the market for specialised goods and services.

6.3. It was Holmes McDougall's understanding that the support for non-priced advertisements of manufacturers and retailers of specialised goods and services had consolidated since 1983, and had consolidated further since the time of the OFT investigation in 1985. Holmes McDougall refused to accept priced advertisements from August 1983 to October 1985 when, as noted in paragraph 4.2, it received its last request for publication of a priced advertisement. Particularly in the light of the lack of demand for priced advertisements (even from mail order firms), Holmes McDougall asked us to consider whether any adverse effect on competition was now attributable to the publishers of the specialist magazines who followed the reference policy, or whether it was now attributable to the manufacturers and retailers who had brought about the adoption of the policy.

6.4. In accordance with what it told the OFT Holmes McDougall told us that it was prepared to give a voluntary undertaking that it would not follow the reference policy provided that a satisfactory industry-wide settlement was achieved. Holmes McDougall was concerned that any remedy which the

Commission might recommend should be as comprehensive as possible so that pressure could not be exerted to adopt the reference policy on any publication suitable for the advertising of camping, climbing and walking equipment.

6.5. We discussed a number of other matters with the company during a hearing. The company reiterated its difficulties as a specialist magazine publisher in speculating about the position in the market for specialised goods and services and in particular on the effects in this market if the reference policy were to be abandoned.

6.6. Holmes McDougall told us during the discussion that it understood that the mail order firms had adapted their marketing strategy by producing catalogues with prices and advertising their catalogues in the specialist magazines. Mail order firms had apparently built up extensive mailing lists so that there were many consumers who would have access to certain price information from the catalogues.

6.7. We discussed the possible consequences for *Climber* and *The Great Outdoors* if none of the specialist magazines intended for campers, climbers and walkers followed the reference policy. The company could form no definite view about the reaction of retailers which stock the magazines. It had been concerned in 1983 when it adopted the reference policy about the opposition to priced advertisements from retailers (as well as from manufacturers). Any significant decrease in the total circulation of the magazines would also have an adverse effect on advertising volumes and unit costs with a consequent adverse effect on profits. Ultimately the financial viability of the magazines could be at risk.

6.8. Among advertisers, Holmes McDougall thought it probable that a few mail order firms would start to place advertisements incorporating lists of their prices. Because of the nature of advertising costs advertisers generally ran the identical advertisement in several issues of the publications which they used. There were several cost restraints on the ability of manufacturers and retailers to transfer their advertising from the specialist magazines to general publications. The specialist magazines were the only magazines which were suitable for the advertising of highly specialised rock climbing and mountaineering equipment, and were in general a more cost-effective medium for the advertising of the more specialised sleeping bags, rucksacks and tents. Some of the clothing manufactured for campers, climbers and walkers now appealed to a wider leisure market. This was reflected in the advertising for outdoor clothing in the national press, some of it by firms which once produced clothing especially for the readers of the specialist magazines. There might be some increase in the spread of advertising for clothing, although the suppliers' advertising costs would be sharply increased.

6.9. Holmes McDougall thought that there was nothing in the nature of the specialist magazines which gave special force to the argument that including priced advertisements in them would damage their appearance and appeal. It was the potential loss of advertisements, many of them attractive and in colour, from important advertisers which did not want to advertise in publications showing priced advertisements that had threatened to damage the appearance and appeal of Holmes McDougall's magazines in 1983. If Holmes McDougall had not adopted the reference policy the remaining advertisements in its magazines would have been largely for mail order, and mostly in black and white. The appearance and appeal of the whole magazines would have been adversely affected. Advertising revenue would have fallen and with it the amount of colour photography in the text. It remained the case that the support of large advertisers and the appearance and profitability of the magazines were indissolubly linked.

#### **Mountain Magazine**

6.10. Mountain Magazine told the OFT that it had not been asked to print price advertisements because of the highly specialised nature of *Mountain* and the type of advertisers the magazine attracted. Nevertheless it believed that price information was important to the customer, and if asked by retailers to print price advertisements, it would do so. Manufacturers provided a large amount of

advertising revenue, and if they objected to price advertisements Mountain Magazine believed that they would have been able to exert considerable influence on Holmes McDougall. If placed in such a situation Mountain Magazine acknowledged that it might have to reconsider its position on price advertising to protect its own interests.

6.11. As noted in paragraph 4.4, Mountain Magazine told us that pressure by a large manufacturer (who was one of the larger advertisers in the magazine) constrained this publisher to follow the reference policy. In principle it did not like to see a policy of this kind implemented. Consumers had the right to obtain information on the price of goods and services from any source. Manufacturers should not be able to dictate to the media, and if they were prepared to sell to retailers the retailers should be able to advertise as they saw fit. If manufacturers did not like the way retailers sold their goods the onus was on the manufacturers to refuse to supply the goods. Our discussion with Mountain Magazine on the effects of the reference policy is summarised below.

6.12. The adoption of the reference policy by one specialist magazine tended to have a straddling effect on advertisements in the other specialist magazines. Advertisers usually split their budget between the different magazines and ran the same advertisement in them all. If only one of the magazines followed the reference policy the advertisements used in the others would not carry price information.

6.13. Before the reference policy came into being Alpine Sports had expanded into a chain which advertised prices heavily and sold several lines as loss leaders. These pricing policies had caused ill feeling in the trade and the bankruptcy of Alpine Sports<sup>1</sup> had damaged several of its suppliers. Possibly it was the example of Alpine Sports which led to heavy price advertising in 1983, and to the pressure for the adoption of the reference policy in the interest of the stability of the trade.

6.14. Loss leading apart, the reference policy did not appear to have much effect on the general level of prices. Many of *Mountain's* readers had low incomes, and indeed many worked solely to make the money to enable them to follow their expensive sport. So cost savings on their equipment would be significant to them. But by the nature of their specialised needs they tended to shop with specialist retailers and not mail order houses, and they were not the type of consumers who would benefit by any greater facility to compare mail order prices with those of specialist retailers.

6.15. The abolition of the reference policy would be likely to lead to several mail order houses advertising cut prices in the hope of quickly gaining an advantage; in the longer term some but not all would be likely to continue such a policy. Some specialist retailers might be forced out of business as a result. Novice climbers without the advice of a climbing club could be put at risk in the absence of advice from specialist retailers.

6.16. Clothing apart, advertisers of climbing and mountaineering equipment needed the specialist magazines, and in particular *Mountain* and the other magazines in the climbing and mountaineering segment unless (which was unlikely) the advertisers ceased to specialise in climbing and mountaineering equipment. There were no effective substitutes for the specialist magazines.

6.17. Mountain Magazine considered that the appearance and appeal of *Mountain* would not be adversely affected by the abolition of the reference policy. It was unlikely that many detailed black and white mail order advertisements would appear. Manufacturers' colour advertising would make its normal contribution to the costs of maintaining the magazine's current visual appearance and content.

6.18. Mountain Magazine told us that if we were to recommend that the reference policy should be abolished it would prefer the recommendation to be for an Order compelling publishers of the specialist magazines to cease following the reference policy.

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<sup>1</sup> The company has been re-formed under new ownership (see paragraphs 5.19 and 5.20).

## David Green Publications

6.19. High Magazine told the OFT that its policy for the acceptance of advertisements was similar to that of Holmes McDougall, except that it had at one time accepted inserts containing prices of proprietary brands of goods in copies of *High* to be sold only in the shops of a multiple retailer but in no other copies. In High Magazine's view, multiple retailers had a high street presence which attracted customers. High Magazine thought that readers of the specialist magazines would know of them and be aware that their prices were likely to be lower than those of the smaller retailers. For the smaller retailers other media, such as local newspapers, were probably more cost effective than the specialist magazines.

6.20. High Magazine also told the OFT that it had the reasons given below for following a policy similar to that of Holmes McDougall. Specialist retailers who stocked *High* would cease to do so if it advertised prices lower than their own, and *High* depended on them as distributors. There were other reasons for supporting the retailers. The present structure of the retail trade should be protected. It was essential to maintain specialised outlets in the out-of-the-way places where *High*'s readers carried out their activities. They provided the advice and service not provided by the multiple retailers, who were aiming at a mass market and attaining a dominant position. The mass market was less knowledgeable, and experienced consumers could to an extent safely be left to shop around, but there were dangers to the inexperienced.

6.21. High Magazine also believed that in order to compete a magazine needed sufficient readership to make it an attractive advertising medium. The readership was attracted by the quality of its editorial material, and this would be devalued, and the magazine made less attractive to readers, if it contained advertisements which were neither pleasing nor of a similar quality to the editorial material, for example cheap and ugly advertisements for cut price offers.

6.22. David Green Publications repeated these views in the wider ranging evidence provided to us. It told us that it elected to follow the same advertisement policy as Holmes McDougall, its main competitor, when it became responsible for publishing *High* in 1984. A recommendation by us to end the reference policy could put at risk a magazine publisher's 'basic freedom and right, and sometimes duty, to accept or refuse advertisements in his magazine without giving an explanation'.

6.23. David Green Publications strongly believed that the reference policy it followed in practice in *High* and in principle in *Rambler* did not operate against the public interest. Moreover it could not be held to affect the public interest when followed in a publication such as *Rambler* which was circulated only to members of a private club.

6.24. David Green Publications did not believe that the reference policy was restricting competition. The reference policy seemed to be followed only by two or three specialist magazines and the remainder, for example *Camper*, were available to mail order firms, who might wish to advertise cut prices to a broad segment of the market for specialist goods. They could also use the national press. Their most effective advertising medium consisted of their catalogues which contained prices, and were widely available. The big multiple retailers had always been very visible in the larger towns, and shopping around had never been difficult for the consumer. Neither the readers of *High* nor the readers of *Rambler*, so David Green Publications believed, bought these magazines as sources of price information.

6.25. The reference policy had little effect on price competition between any of the sectors of the trade. Some at least of the manufacturers supplied both price cutters and the specialist shops. Mail order firms and large multiples were still able to retail specialist goods at lower prices than the small specialist retailers.

6.26. Enough consumers in the market segments represented by *High* and by *Rambler* were sensitive to the price they paid for specialist goods to be attracted to displays of cut prices by the mail order firms. If the reference policy were abolished they would perceive the opportunity to gain a substantial amount of business at the expense of the specialist retailers by heavy cut price advertising (which depending on the response might not endure). Mail order firms would be able to substitute imports, for example from the Far East, if the manufacturers no longer gave them preferential terms.

6.27. There would inevitably be financial damage to some multiple chains and to the specialist retailers, especially the smaller ones, often owned and staffed by experienced climbers, which were often found in climbing areas. There could be a narrowing of the range of products on sale, because specialist retailers would not be able to cross-subsidise their business in the most specialised goods from their business in the goods used by a wider segment of the market. The trend towards mail order buying would affect adversely the quality of the goods and the advice available, and this could be dangerous. In this connection we were told that *High* had a special responsibility to represent the highest possible standards of reporting on equipment as the official magazine and mouthpiece of the British Mountaineering Council.

6.28. Specialist retailers would no longer stock the specialist magazines now following the reference policy if they displayed prices in advertisements which they knew would put them out of business. Some of the loss would probably be made up by news-stand sales, but it was doubtful whether some of the magazines could survive on the reduced circulation. Circulation would also be adversely affected by long lists of small print product prices, which would be damaging to the appearance and appeal of the magazines. This would be true however the lists were displayed or grouped.

6.29. Adequate substitutes outside *High* and the other specialist magazines for the climbing and mountaineering readership would not exist for advertisers of climbing and mountaineering equipment who might prefer to evade the effect of the reference policy by placing their advertisements elsewhere. Outside the field of specialised equipment of this kind the question whether adequate substitutes existed depended on the particular goods advertised. *Rambler* was more likely than *High* to be seriously affected by advertisers transferring their advertisements elsewhere, for the effective market for the goods advertised in *Rambler's* segment of the specialist magazines was much wider than for the goods advertised in *High's* segment.

6.30. David Green Publications told us that after our report was made it would continue to follow the reference policy unless it was abolished by Order. If the reference policy were abolished by Order seen by advertisers to be imposed from outside the industry they would be less likely to try to evade the effects of abolishing the reference policy by advertising in magazines other than the specialist magazines intended for campers, climbers and walkers.

#### **Haymarket Publishing**

6.31. At the time of the OFT report Haymarket Publishing published two specialist magazines in the field with which we are concerned, *Practical Camper* and *Go Light!*, a quarterly supplement to *Practical Camper*. In February 1986 *Practical Camper* was renamed *Camper* and *Go Light!* was amalgamated with it. Haymarket Publishing told the OFT that it did not support Holmes McDougall's policy for several reasons:

- (a) Magazines like *Go Light!* stressed the need for proper equipment and provided the information necessary to help the reader choose, as did many mail order companies through their advice services to customers.
- (b) Advertisements listing prices were not of low quality or likely to detract from the appearance of a magazine, but were a service which could enhance a magazine's appeal.

- (c) If a magazine was of good quality and in demand there should be no difficulty in getting distribution through newsagents; it did not need to rely on specialist retailers for distribution.
- (d) The market should be able to operate freely and the customer should be able to take advantage of the best prices and service available.

6.32. In discussion with us Haymarket Publishing told us that its views were unchanged. The company believed that an advertiser's choice of magazine was influenced not by the question whether the magazine placed restrictions on price information in advertisements but by factors such as circulation, advertising rates and editorial content. One reason why many advertisers did not wish to include prices in advertisements was that the long copy dates often meant that prices were out of date by the time the magazines were published. Haymarket's whole range of titles was distributed mainly through newsagents, and it held to the view that any specialist magazine publisher need not rely on specialist retailers for distribution. The company had never experienced pressure for the exclusion of price information from advertisements in its magazines.

**EMAP Pursuit Publishing**

6.33. EMAP Pursuit Publishing told us that it was company policy not to support a monopolistic or protectionist policy in any way. In common with other publishers the company reserved the right to refuse advertising which it considered to be directly competitive with its own publications.

**Link House Magazines and the YHA**

6.34. We discussed the reference policy with Link House Magazines and the YHA. Link House told us that it sold *Camping and Walking* and the rest of its range of specialist titles through newsagents rather than specialist shops, and had experienced no pressure to restrict price information in *Camping and Walking*. The company observed that because of advertisers' preference the proportion of advertisements showing prices in its magazines had declined in recent years. In the company's experience the inclusion of prices in advertisements in its own range of different specialist magazines did not affect their appearance and appeal. The YHA considered that the actual style of an advertisement was not important, provided that it was legal, decent, honest and truthful.